Case study: monsanto’s roundup

Business

The case study authors reveal that the U.

S. Eaten for Roundup expired In 2000, and by mid-2002, the newly spun-offMonsantoshare price had fallen by 50% (Baccarat, Backup, Bar-Isaac, Cabal, & White, 2003). The first part of this paper explores the alternatives Monsanto could have taken to avoid the loss of revenue that occurred with their Roundup product, resulting In the precipitous drop in the price of their stock. The second part takes a step back and provides an overall analysis of Monsanto situation as described in the case study.

Part I – Explore the Alternatives Prior to the expiration of the patent on Roundup, Monsanto held a virtual monopoly on the U. S. Herbicide market. After the patent expiration, Roundup revenues dropped sharply (Baccarat, Backup, Bar-Isaac, Cabal, & White, 2003). What could Monsanto have done to avoid the loss of revenue? Certain factors such as changes in pricing, product bundling and advertising were within Monsanto control and should have been considered. Pricing.

Monsanto had already reduced prices by 9% per year in the five years preceding the U.

S. Patent expiration of Roundup. This helped them increase market share by 22%. In anticipation of the increased competition once their patent expired, Monsanto could have made further strategic price cuts in order to gain a larger share of the market and make it more difficult for competitors to enter the market and compete effectively. As Samuelsson and Marks (2012) note, increased competition can be expected to have an adverse effect on a firm’s demand and might call for price cuts in response to (or in this case, in anticipation of the competition).

This is also known as limit pricing (Samuelsson & Marks, 2012). Bundling and Tying. Another alternative Monsanto could have considered to help defend their control of the herbicide market would have been to bundle and/or tie heir Roundup herbicide product to their Roundup Ready seed products. Tying complementary products together can create an opportunity to gain a captive audience (Samuelsson & Marks, 2012). In 1999, Monsanto was the second largest seed company In the world (Barbara, 1999).

They held a large portion of the agriculture market with their seed business, and It would have made sense for them to either tie sales of Roundup to the Roundup Ready seed sales, or offer discounted bundled pricing, which could include the Limit pricing strategy mentioned above. Advertising. A third alternative Monsanto could have employed would have been o Transliterate ten Roundup product tongue perseverant . As Samuelsson Ana M (2012) point out, advertising helps underscore real or perceived differences between competing products.

Compared to generic glasshouse products manufactured by other, less-reputable companies, Roundup is produced under high product quality control and provides more effective weed prevention (Hilton, 2012).

Monsanto could have benefited by creating advertising campaigns that underscored these real product benefits. Although there are certainly a great number of additional options Monsanto could eave evaluated and employed, these three alternatives illustrate some basic choices that Monsanto could have attempted and built upon to maintain their dominant market position with their Roundup product.

Part II – Analysis: Issues and Recommendations After the merger between Monsanto and Pharmacy & Option, the new Pharmacy divested itself from the new Monsanto Company (formerly the Agriculture division of Monsanto Company) completely in 2003 (Monsanto, 2002-2012). Between the time of the merger and its complete spiff from Pharmacy in 2003, Monsanto sales and refits from its Roundup product peaked, but then fell sharply (Baccarat, Backup, Bar- Isaac, Cabal, & White, 2003). One factor that led to the resulting drop in share price was the expiration of the U. S.

Eaten for Roundup, and the other is the inherent risks of the biotech agriculture industry. Patent Expiration. Monsanto primary problem was loss of revenue due to lower prices after the U. S. Patent for Roundup expired in 2000. Monsanto price dropped approximately $5 per gallon of Roundup between 2000 and 2002 (Baccarat, Backup, Bar-Isaac, Cabal, & White, 2003).

Their revenue oases were compounded by lower sales of Roundup and complementary seed products in Latin America due to economic difficulties and legal disputes over Roundup Ready seed technology (Belch, 2006).

Risk and Exposure. Because most of Monsanto revenues depend heavily on products developed through major research and development investment, it remains a very high-risk company (Baccarat, Backup, Bar-Isaac, Cabal, & White, 2003). They are able to protect their market share via patents, but as those patents expire, the company is exposed to a much greater volume of competition against substitute products. This forces Monsanto to continually rely on new biotechnology developments.

It also creates a good deal of exposure for the company, especially in areas of the world where governments do not provide as much protection in the form of patents. The only real upside to this is that Monsanto and its major competitors are fairly well insulated in certain segments of their industry as costs of entry are fairly prohibitive for the type of R that is required. Thus, Monsanto protects its patents aggressively by taking legal action against many different forms of contract and patent infringement (Belch, 2006). Recommendations & Conclusion. Given that Monsanto dominated much of the seed market, not only in the U.

S.

, but worldwide, it would be advantageous for them to provide bundled pricing of the complementary Roundup Ready seeds and Roundup herbicide. Even if Monsanto had to discount the bundled or tied products, this would induce buyers to purchase Monsanto Roundup product who might otherwise substitute a generic glasshouse product to use with Monsanto Roundup Ready seeds. Monsanto themselves came close to tying ten emergence Ana sees products gather in 2000, when they offered a guarantee program that encouraged use of Roundup with a reduced tillage program (Pro Farmer, 2000).